

# 2018 1Q Consolidated results



Milan

May 8<sup>th</sup> , 2018



## Italian gas demand up 1.3% to 26.0 bmc

- Industrial recovery (glass & ceramics sectors)
- Cold winter weather (+0.9bcm)
- 2017 French nuclear outage effect (-0.7bcm)

## European\* gas demand up 3%

- UK gas demand up 11% owing to cold snap
- Future gas prospects supported by growing ETS price (up 130%\*\*)

## Snam assets benefiting in volatile environment

- First physical reverse flow on Gries pass to Switzerland (10.9 mcm in 5 days during cold snap)
- Strong IUK bookings in new implicit allocation mechanism
- 100% of capacity booked on French storage



## Solid Q1 results

- EBITDA €522m, up €8m vs 1Q 2017
- Net profit of €254m, in line with 1Q 2017
- Capex plan on track with budget (€156m)
- Net debt at €11.4bn vs €11.5bn at YE 2017

## Buyback programme

- €139m of buyback in Q1 (total executed until completion of the program in April 2018: €455m)
- 31.6m shares cancelled (total shares outstanding 3,469m)

## Desfa acquisition

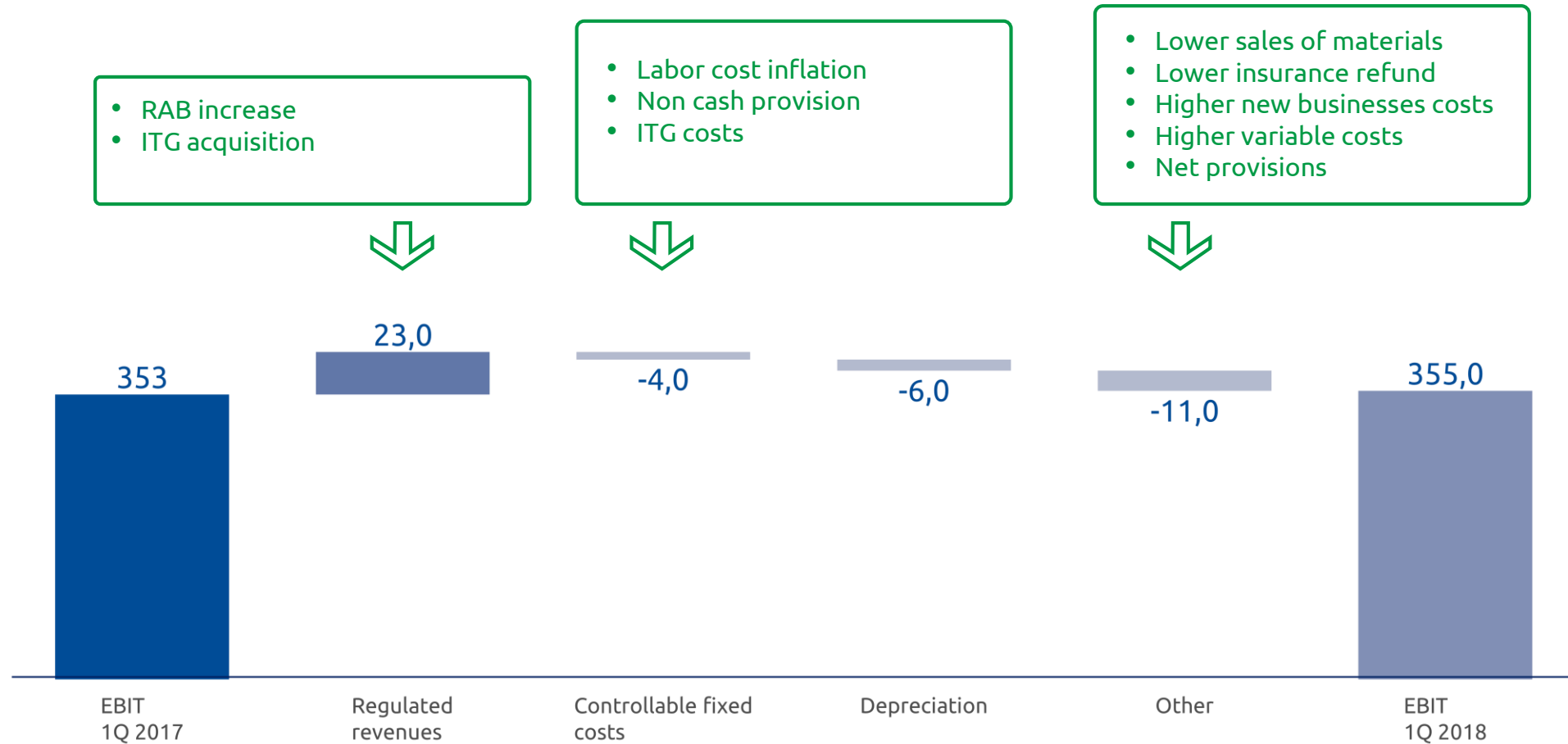
- Snam-led consortium to acquire 66% of Desfa
- Purchase price €535m
- On track to finalize BidCo acquisition financing package

**FY 2018 guidance confirmed**

# 2018 1Q results: Ebit analysis



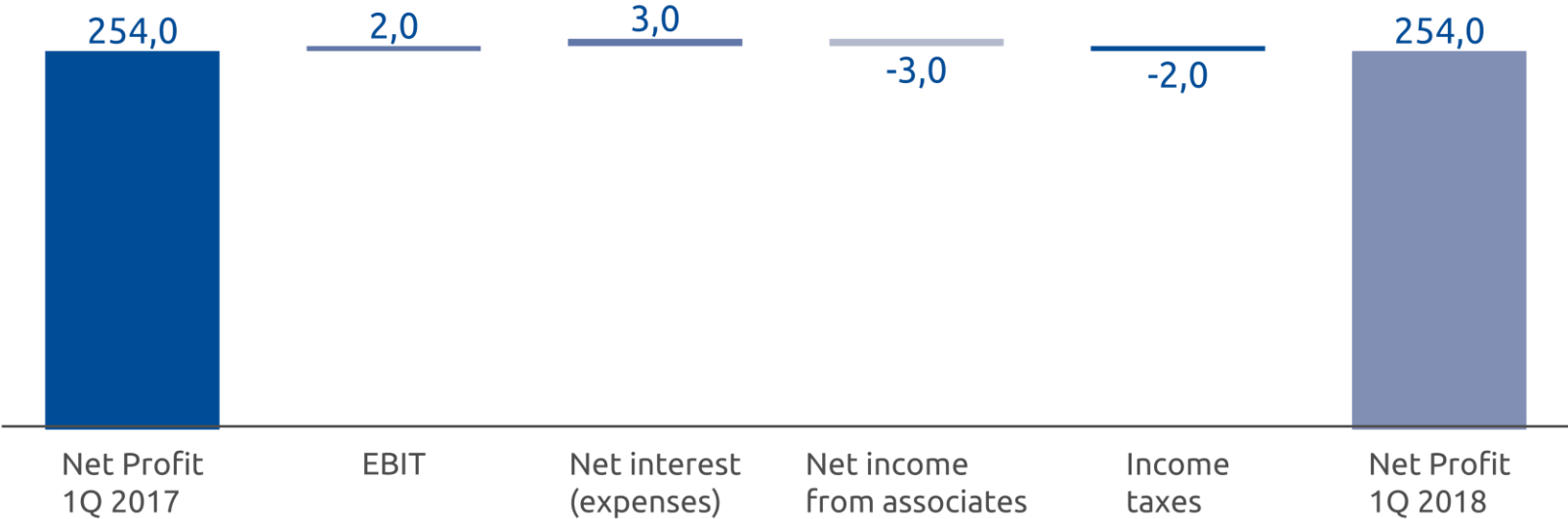
€ mn



# 2018 1Q results: net profit analysis



€ mn



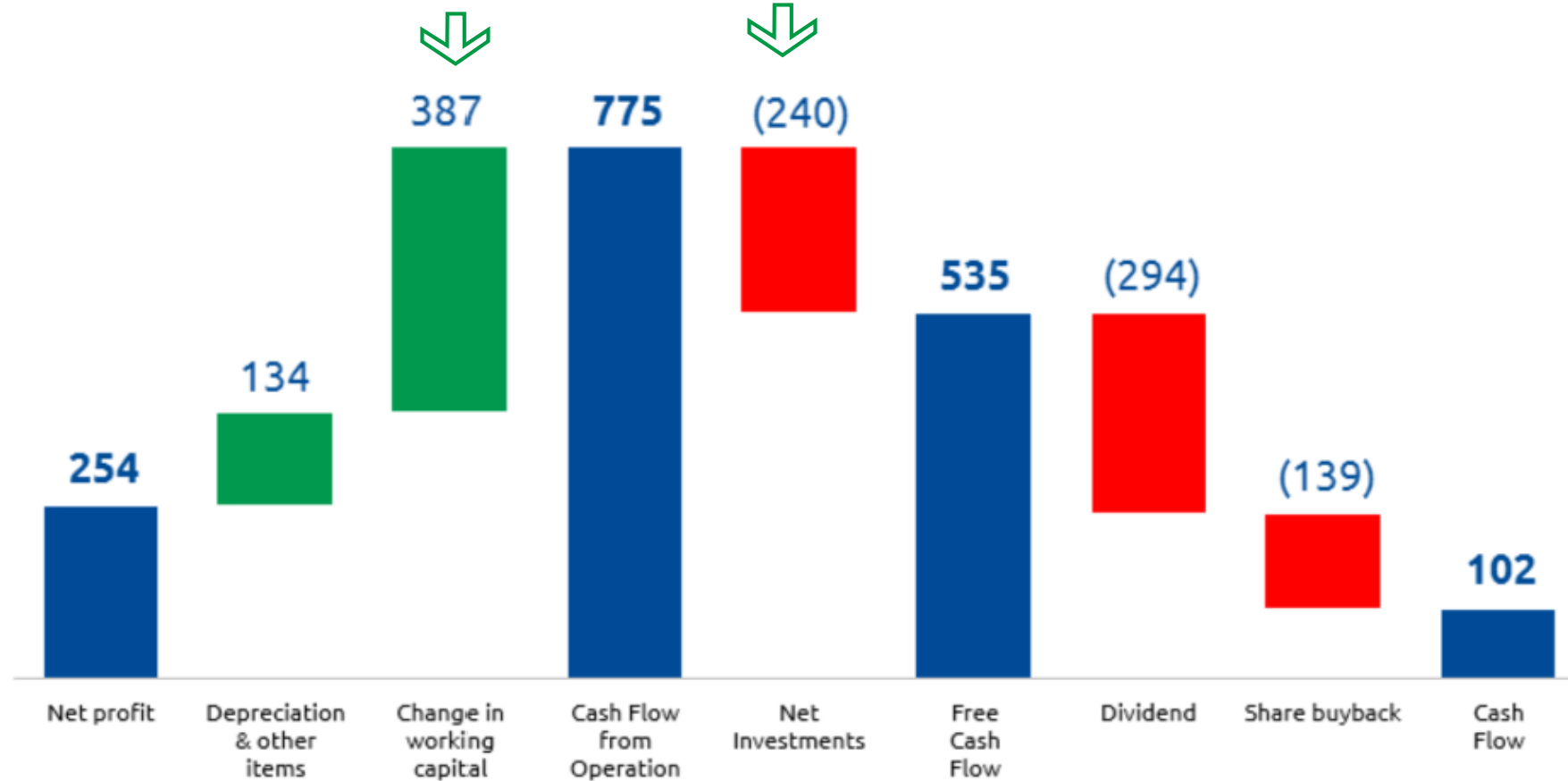
# 2018 1Q Cash Flow



€ mn

- Tariff related items € 207m
- Balancing activities € 43m
- Net tax payable € 95m

- Capex € -156m
- Net capex payables and other € -37m
- Financial investments € -47m

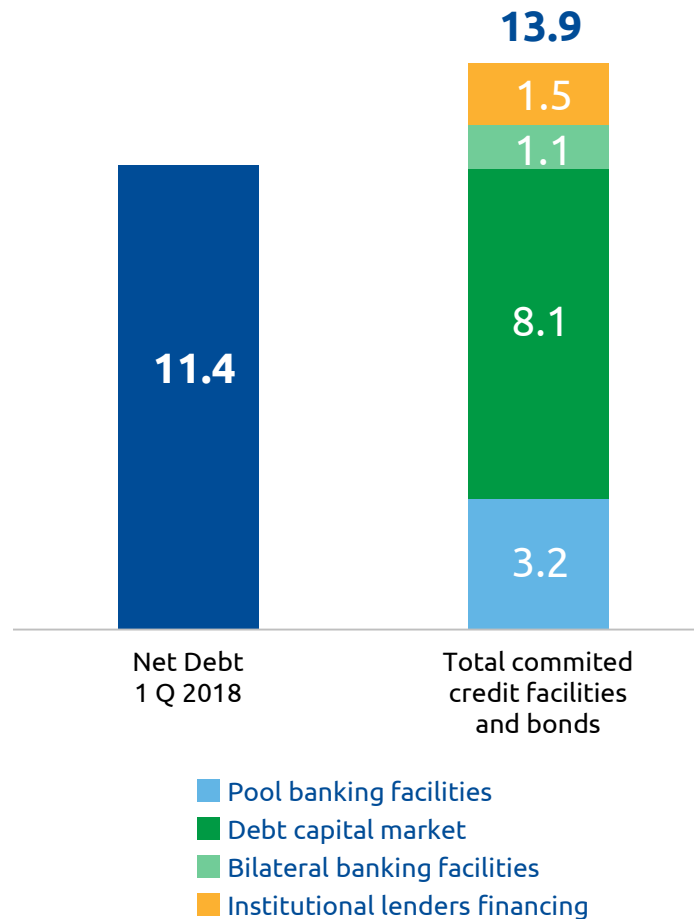




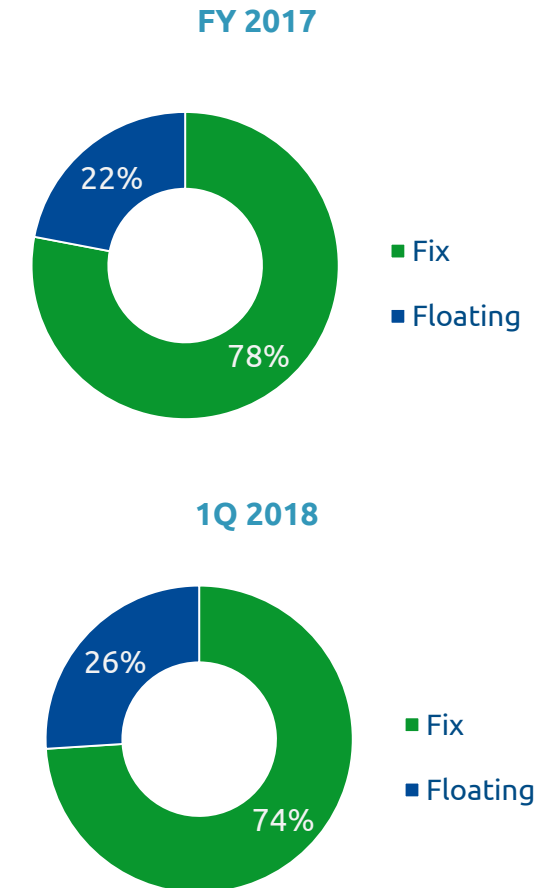
## Key Figures

- ✓ **Bond issuances** €350m – 2Y- Eur 3m + 15 bps executed in Jan-18 (swapped to fix)
  
- ✓ **Completion of Share Buyback Program (in April 2018)**
  - Since the beginning of the program 121m# share buyback for €455m
  - Reached 3.50% of the share capital held by Snam, limit set by the Shareholder Meeting held on 11 April 2017
  - Average purchased price 3.7€
  
- **Outstanding shares after cancellation:**  
3,469.0 m

## Existing debt as of 31 March 2018



## Fixed – Floating debt breakdown



# Desfa: strategic asset in the heart of the new gas flows routes

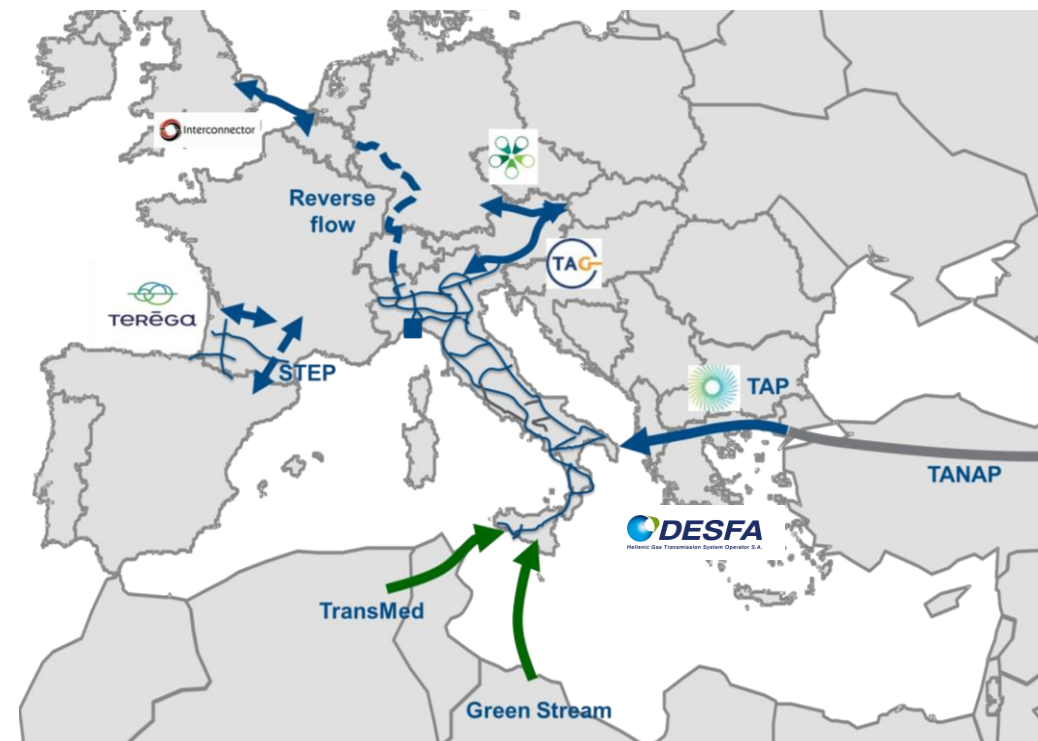


## Strategic rationale

- Strengthening of Snam strategic position on the southern route
- Potential to unlock additional interesting opportunities from the development of the Greek market and the southern corridor

## Next steps

- Signing subject to the completion of various steps envisaged by the procedure and the legislation including approval by Hellenic Court of Audit
- Closing (expected by end-2018) following the fulfilment of certain condition precedents:
  - Antitrust clearance
  - Certification of Consortium under the OU model
  - Pre-Sale Reorganization of DESFA ownership to allow the transfer to the Consortium (66%) and to the Hellenic Republic (34%)

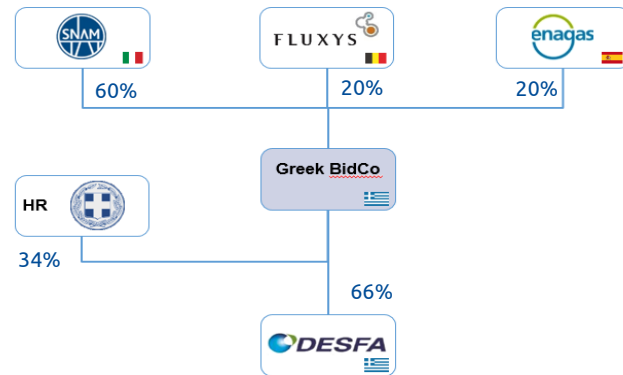




# Desfa: Consortium and asset characteristics



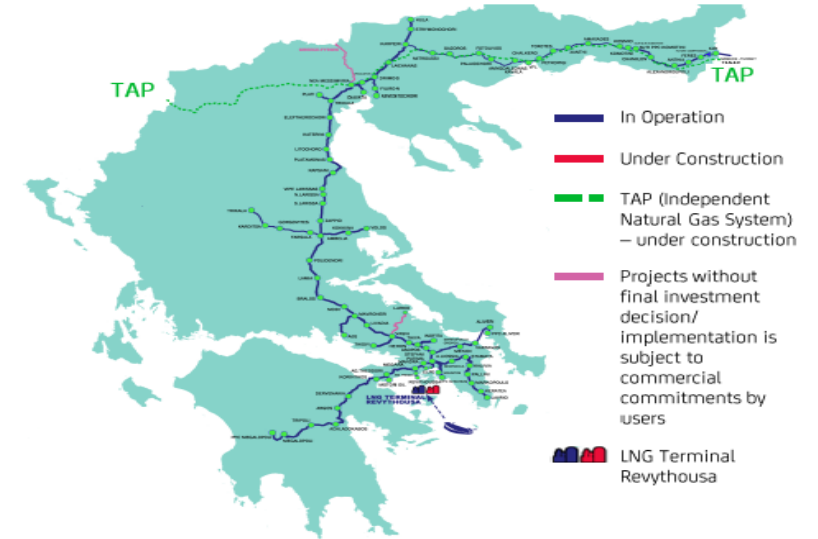
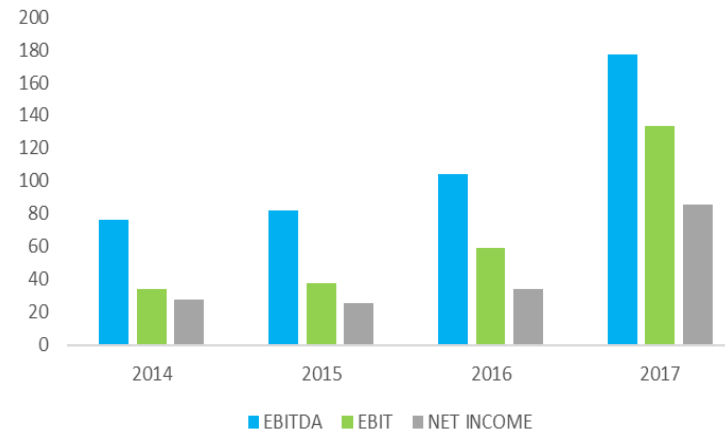
## Transaction structure



- Purchase price: € 535m (for 66% stake in DESFA)
- Strategic partnership with other two primary European TSO (Snam majority shareholder)
- **Non recourse finance at BidCo level**
- Returns expected in line with our international portfolio
- Governance: Bidco expresses the majority of the board members and CEO

## Strong results

- Positive Net Financial Position € +5m
- Improving Greek macroeconomic environment
- Strong gas demand in 2017 confirmed in 1Q 2018



- Approximately 1.500km of network as well as a regasification terminal;
- Solid capex plan including revythousa LNG terminal interconnection
- Stable RAB thanks to future investments;
- RAB based regulated revenues (including depreciation and opex)



## ANNEXES

# Income Statement



[ € mn ]	2017 1 Q	2018 1 Q	Change
Revenues	628	630	2
Operating expenses	(114)	(108)	6
<b>EBITDA</b>	<b>514</b>	<b>522</b>	<b>8</b>
Depreciation & amortisation	(161)	(167)	(6)
<b>EBIT</b>	<b>353</b>	<b>355</b>	<b>2</b>
Net interest income (expenses)	(56)	(53)	3
Net income from associates	41	38	(3)
<b>EBT</b>	<b>338</b>	<b>340</b>	<b>2</b>
Income taxes	(84)	(86)	(2)
<b>NET PROFIT</b>	<b>254</b>	<b>254</b>	<b>-</b>

[ € mn ]	2017 1 Q	2018 1 Q	Change
<b>Regulated revenues</b>	<b>604</b>	<b>614</b>	<b>10</b>
Transport	449	473	24
Storage	124	123	(1)
LNG	4	4	-
Pass-through revenues	27	14	(13)
<b>Other revenues</b>	<b>24</b>	<b>16</b>	<b>(8)</b>
<b>TOTAL REVENUES</b>	<b>628</b>	<b>630</b>	<b>2</b>

# Operating Expenses



[ € mn ]	2017 1 Q	2018 1 Q	Change
<b>Regulated activities</b>	<b>99</b>	<b>96</b>	<b>(3)</b>
Controllable fixed costs	65	69	4
Variable costs	2	3	1
Other costs	5	10	5
Pass-through costs	27	14	(13)
<b>Non regulated activities</b>	<b>15</b>	<b>12</b>	<b>(3)</b>
<b>TOTAL COSTS</b>	<b>114</b>	<b>108</b>	<b>(6)</b>

# Balance Sheet



[ € mn ]	2017 1 Q	2018 1 Q	Change
<b>Net invested capital</b>	<b>17,738</b>	<b>17,757</b>	<b>19</b>
Fixed capital	18,875	18,893	18
Tangible fixed assets	16,396	16,365	(31)
Intangible fixed assets	850	848	(2)
Equity-accounted and other investments	1,591	1,558	(33)
Financial receivables held for operating activities	373	419	46
Net payables for investments	(335)	(297)	38
<b>Net working capital</b>	<b>(1,079)</b>	<b>(1,077)</b>	<b>2</b>
Receivables	1,456	1,552	96
Liabilities	(2,535)	(2,629)	(94)
Provisions for employee benefits	(58)	(59)	(1)
<b>Net financial debt</b>	<b>11,550</b>	<b>11,440</b>	<b>(110)</b>
<b>Shareholders' equity</b>	<b>6,188</b>	<b>6,317</b>	<b>129</b>

# Outstanding shares

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Outstanding shares at 31/12/2017	3,500,638,294
Shares held by Snam before cancellation	122,522,340 (3.500%)
shares serving the convertible	82,554,228
shares serving the LT incentive plan	8,368,397
shares cancelled	31,599,715
Outstanding shares at 08/05/2018	3,469,038,579
Shares held by Snam after cancellation	90,922,625 (2.621%)

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